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STATE PLEASE PASS TO FEDERAL RESERVE TOM CONNORS

TREASURY FOR BLINDQUIST

PENTAGON FOR OSD--MLENIHAN

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SUBJECT: Meet Chile's President-Elect, Sebastian Pinera

REF: A. SANTIAGO 19; B. 09 SANTIAGO 755; C. 09 SANTIAGO 867

CLASSIFIED BY: Carol Urban, Charge, State, US Embassy Santiago;

REASON: 1.4(B)

**¶1.** (SBU) Summary: Chile's president-elect, Sebastian Pinera, is a savvy, Harvard-educated billionaire and former senator known to work seven days a week. Although described by some international press as "right wing" and sometimes compared to Italy's scandal-prone Silvio Berlusconi, neither is accurate. Pinera is an anti-Pinochet centrist who will be challenged to satisfy his broad Alianza coalition which spans from the center to the far right. He has pushed the envelope in his political and business dealings in the past, but is now moving his substantial investments into blind trusts to avoid conflicts of interest. His unquestioned devotion to his wife of 30-plus years and his Catholic faith provide little fodder for personal scandal. End summary.

**¶2.** (U) In the historic January 17 election, Chilean voters selected opposition candidate Sebastian Pinera as the next president of Chile, beating his opponent, former president Eduardo Frei Ruiz-Tagle, by a three point margin. Pinera will be the first conservative to lead Chile since the Pinochet dictatorship (1973-1990) and the first conservative to be democratically elected president since 1958. (See Ref A for more elections analysis.)

The Billionaire President

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**¶3.** (U) The son of a civil servant/diplomat, Pinera grew up in New York, Belgium, and Chile. He studied Business Administration at the Catholic University of Chile in Santiago, where he received the Raul Iver Award -- the highest distinction possible. In 1973, he went as a Fulbright scholar to Harvard (where his older brother Jose also studied) and earned a Masters and Ph.D. in Economics. Pinera speaks English reasonably well, though it is a bit rusty. (See Ref B for details about his family and additional biographical

information.)

¶4. (U) Upon his return to Chile in 1976, Pinera worked for the World Bank, the Inter American Development Bank (IDB), and the UN's Economic Commission for Latin America and the Caribbean (ECLAC) on projects designed to reduce poverty in Latin America. In the 1980's, Pinera moved into the private sector, where he demonstrated his ability to successfully navigate financial markets. After making a small fortune as a financial advisor, Pinera started Tolten, a homebuilding business. The success of this company provided the capital to invest in other business ventures, among them Bancard -- the corporation that introduced credit cards to Chile. Bancard brought Pinera more wealth and he continued to invest in a variety of Chilean industries.

¶5. (SBU) Pinera prides himself on being a self-made billionaire. In 2009, Forbes ranked him number 701 on a list of the world's richest people, with a fortune of USD 1.3 billion. Among his most noteworthy acquisitions are a 26 percent stake in the leading South American airline LAN, a 13 percent stake in iconic soccer team Colo Colo, and full ownership of television station Chilevision. Pinera has promised to place his assets in a blind trust before assuming the presidency, and press accounts state that he is currently working to sell his shares in LAN.

SANTIAGO 00000025 002 OF 004

Pining for the Presidency: Fourth Time's a Charm

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¶6. (SBU) Pinera's political career began with his campaign for senator in eastern Santiago in 1989 as an independent supporting the center-right National Renewal party (RN). After winning the election, he officially aligned himself with the party. During his eight years as senator, Pinera gained the respect of his colleagues for his work on a variety of issues, including on the Senate Finance Committee. In a vote of his peers, Pinera was chosen as one of the two best senators for the period of 1990-1998. He did not run for reelection. Pinera became president of the National Renewal party in 2001 and successfully shifted the party towards the center during his mandate.

¶7. (SBU) Leading Chile has long been Pinera's dream. His first attempt, in 1992, ended prematurely when a secretly recorded phone call was released showing him colluding with a journalist to undermine his rival, Evelyn Matthei (Ref B). He was RN's presidential pre-candidate in 1999 but stepped aside so his Alianza coalition counterpart, Joaquin Lavin of the Independent Democratic Union (UDI), could run unhindered. (Lavin lost to Ricardo Lagos by a small margin in the runoff.) In 2005, Pinera decided to run as RN's presidential candidate, splitting the Alianza coalition, as Lavin was running again as the UDI candidate. Pinera edged out Lavin in the first round -- generating resentment in the UDI -- but then lost by seven percentage points to the Concertacion coalition's Michelle Bachelet in the runoff. After his loss, Pinera quickly shifted his sights to the 2009 presidential campaign.

Where Do Pinera's Loyalties Lie? With the Center, Center-right, or Right?

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¶ 8. (SBU) Growing up in a Christian Democrat family--his father was one of the party's founders--influenced Pinera's early political leanings. He speaks openly about how Christian Democrat Eduardo Frei Montalva -- President of Chile from 1964-1970, a friend of his father's, and father of his main presidential opponent Eduardo Frei Ruiz-Tagle -- influenced his political beliefs. Pinera attributes his own shift away from the center-left Christian Democrats to their "backwards" economic policies.

¶ 9. (SBU) Pinera has an uneasy relationship with Alianza coalition members from the far right. Unlike many in his conservative Alianza coalition, Pinera voted "No" in the 1988 plebiscite, the option that voted down eight more years of military rule by Pinochet and paved the way for the democratic transition and elections in 1989. More recently, his outspoken criticism of Pinochet, support for civil unions for gay couples, and backing of the day-after contraceptive pill have made Chile's far right uncomfortable. In an effort to appease the far right, Pinera gave a speech during his campaign to a large group of retired military, promising to bring an end to "eternally" pending human rights abuse

SANTIAGO 00000025 003 OF 004

cases against the military.

¶ 10. (SBU) Throughout his campaign, Pinera billed himself as a centrist and promised to continue many of President Bachelet's popular social policies. Since his victory, he has promised to work with the outgoing Concertacion government for a smooth transition. Advisors Rodrigo Hinzpeter and Cristian Larroulet recently had their first meeting with outgoing Interior Minister Edmundo Perez Yoma. Analysts are anxiously awaiting the announcement of Pinera's cabinet -- scheduled to be announced in February -- and whether or not he will include former Pinochet-era officials in high level government positions.

No Stranger to Scandal

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¶ 11. (SBU) In addition to the infamous phone call which ended his 1992 presidential bid, Pinera has been linked to a number of financial and political scandals over the years. He is alleged to have been involved in shady financial dealings while general manager of a bank in the late 1970s and to have evaded a resulting arrest warrant in 1982. In 2007, he paid a USD 700,000 fine to Chile's equivalent of the Securities and Exchange Commission for insider trading but never admitted culpability. A shrewd businessman, Pinera seeks any advantage possible in business or political dealings, often getting close to the limits of ethics or legality. (See Ref C for more on Pinera's scandals.)

A Hard-Driving Businessman Striving for a Softer Image

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¶ 12. (C) Pinera is known for his rigor, intelligence and dedication. He works seven days a week and sleeps little. He expects to have several hours notice before a meeting so that he can do his own research and be an informed audience. He will listen and consider an opinion he considers substantive, but will interrupt and even ask someone to leave if he feels they are not making a valuable contribution.

¶13. (C) Pinera makes high demands on his staff but rewards loyalty. In remarks to close advisors at an election night party, he told them that he would need their intelligence, hard work, and obedience. A micro-manager, he wants to be in control of every detail, from the content of a speech to the camera position and lighting. Press reports have speculated that he may make life difficult for his cabinet members given his broad knowledge and hands-on leadership style.

¶14. (C) As a presidential candidate, Pinera tried to eschew his billionaire image and show his human side. He campaigned tirelessly around Chile, calling himself the "locomotive," and he embraced new social networking technology like Facebook and Twitter. Despite his efforts to cultivate a "man of the people" image, he surrounds himself with elite businessmen and academics

SANTIAGO 00000025 004 OF 004

and continues to pilot his private helicopter to his vacation homes.

Chile's New First Family: The Pinera-Morels

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¶15. (U) Pinera has been married for over thirty years to Cecilia Morel Montes and they have four adult children: Magdalena, Cecilia, Sebastian and Cristobal. Pinera is surrounded by family advisors. His younger sister Magdalena ("Pichita") runs his charity, the Future Foundation, and his daughter Magdalena ("Manena") was a key player in the campaign and is an important advisor for his transition team. His sons also worked on the campaign and appeared in press conferences and other public events. Pinera is a practicing Catholic. His uncle, Bernardino Pinera, is a priest.

¶16. (SBU) Pinera's wife, Cecilia Morel, studied social work at the Carlos Casanueva Professional Institute and has worked in the social assistance sector for the past twenty years. She founded the Enterprising Women Foundation which works to help young women in a low-income area of Santiago by providing professional development training and consulting for micro-enterprises. As First Lady, Morel proposes to develop a housing improvement program for Chile's rural areas, a network of after-school centers for children with learning disabilities, and a sports program for at risk youth.

Comment

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¶17. (C) Pinera, a highly educated and wildly successful businessman, brings a substantial change to Chile after 20 years of Concertacion rule. Intelligent, hard-working, and determined, Pinera will be a hands-on president. Since he owes his election to votes from both the center-left and the right, he will have to strike a careful balancing act to maintain his promise of continuity with Bachelet's progressive policies while keeping his supporters on the far right happy as well. End Comment.

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